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From: The Social Protection Committee
To: Permanent Representatives Committee (Part 1)/Council
Subject: Key Social Challenges: Key messages from the SPC based on the 2018 Annual Review of the Social Protection Performance Monitor
- Endorsement

1. Delegations will find attached the key messages of the "Report on Key Social Challenges" as finalised by the **Social Protection Committee** on 17 September 2018.
2. These key messages are intended to guide the preparatory work for the 2019 Annual Growth Survey.
3. The full Report and its annexes can be found in doc. **12921/18** and its addenda.
4. The Permanent Representatives Committee is invited to recommend to the Council to endorse the key messages under part "A" of its agenda at a forthcoming meeting.

**Key messages from the SPC Report on Key Social Challenges
based on the 2018 Annual Review of the Social Protection Performance Monitor**

1. Delivering on its mandate as per article 160 of the TFEU, the SPC has produced for the Council its annual review of the social situation in the EU and the social policy developments in the Member States, based on the most recent data and information available. On this basis, the SPC highlights the following findings and common priorities for social policy reforms which should guide the preparatory work for the 2019 Annual Growth Survey.
2. The social situation in the EU continues to benefit from the economic recovery and the reform efforts made by Member States in recent years. Of particular note is the continued improvement in the labour market, with further reductions in unemployment, including youth and long-term unemployment, as well as continued improvement in the labour market participation of older workers. The improvement in the employment situation has resulted in rises in real gross household disposable income and reductions in the share of the population in (quasi-)jobless households. There are also reductions in the share of the population suffering from severe material deprivation and in the share of children at risk of poverty or social exclusion in many Member States.
3. The latest edition of the Social Protection Performance Monitor (SPPM) also points to a continued general improvement in the social situation in the EU with around two thirds of the social indicators in the SPPM flagging up a noticeably higher number of Member States with positive changes than negative ones. However, the economic growth and the improvement of the labour market have, so far, had a rather mixed and sometimes limited impact on the other social indicators.
4. Despite the generally positive developments, the EU is far from achieving the Europe 2020 target of lifting at least 20 million people from the risk of poverty and social exclusion. In 2016 there were around 0.8 million more people at such risk in the EU compared to 2008, with a total of 118 million or close to 1 in 4 Europeans. The overall trend masks persistent divergence between Member States. Substantially higher AROPE rates compared to 2008 and persistently high levels of income inequality are still observed in several countries, especially among those most affected by the economic crisis.

5. For the EU as a whole the following main negative trends, or "social trends to watch", are identified for the most recent period:
- Deterioration with regard to the depth of poverty in many Member States, and with regard to in-work poverty in several countries, despite improving labour market conditions.
 - Rises in the at-risk-of-poverty rates for people residing in (quasi-)jobless households, pointing to weaknesses in the adequacy of social benefits in several countries.
6. The lack of inclusiveness of the economic recovery is a concern, with income inequality remaining persistently high at EU-level and the poverty gap widening in many countries. Addressing this issue will require further action within a number of different policy areas, such as fostering equal opportunities across all policy domains, improving the design of tax and benefit systems, as well as stepping up the active inclusion approach, which combines adequate income support, integrated active labour market policies and access to quality social services.
7. Although the risk of poverty or social exclusion of the elderly is still significantly lower than for the general population in the majority of the Member States, there are signs of a decline in the relative income of the elderly. To a large extent this reflects the reversal of the general trend observed in the period following the crisis years in which their situation relative to the rest of the population improved, while now the relative income situation of the working age population is doing better as the labour market situation and incomes from work have improved.

8. The rising share of the working poor in several Member States shows that having a job is not always a guarantee against the risk of poverty. The working poor represent around a third of working-age adults who are at-risk-of-poverty, and the recent trend highlights growing divergence between Member States. Income from employment often needs to be complemented by adequate benefits. Provision of affordable childcare, housing support and access to training can also have an important role to improve the living standards of the in-work poor.
9. New forms of employment, and the associated gaps in access to social protection and lower incomes resulting from their spreading, may put growing parts of the population at higher risk of poverty and social exclusion and risk undermining the social and financial sustainability of social protection. Social protection systems need to ensure access to adequate protection for all persons in employment and, in particular, be better tailored to the needs of the various types of self-employed and non-standard workers.
10. While there are clear signs of improving child poverty and youth exclusion rates, in 2016 there were around 25 million children in the EU28 living at risk of poverty or social exclusion, some 0.5 million fewer than the previous year and accounting for around 1/5 of all people living in poverty or social exclusion. As highlighted during a dedicated in-depth thematic review, which the SPC undertook in 2018, reducing child poverty and breaking the poverty cycle across generations call for integrated strategies that combine prevention, adequate income support and access to quality services. In particular, access to affordable quality early childhood education and care, along with well-designed work-life balance policies, is key to improve children's life prospects, while at the same time supporting the labour market participation of their parents, notably mothers.

11. People with disabilities, with a migrant background and ethnic minorities, including Roma, often face multiple disadvantages in relation to participation in the labour market and in society, as reflected in the number of Member States having challenges related to the poverty or social exclusion of those persons. Supportive measures to enter the labour market (for those who can work) complemented by improved accessibility, social services and preventive approaches are needed to strengthen all individuals' capacities to participate actively in society and the economy.
12. Housing exclusion and homelessness are a growing concern across a number of Member States. Policies, such as social housing and affordable rental housing programmes, targeted housing allowances, as well as the energy-efficient renovation of existing housing stocks are required to address the problem. Addressing homelessness needs integrated and sustainable solutions that combine prevention and support.
13. Pension systems have been one of the areas with the most reforms in recent years, driven by the need to improve the long-term fiscal sustainability while maintaining retirement income adequacy. The 2018 Pension Adequacy Report (PAR), prepared jointly by the SPC and the European Commission, brings into focus several outstanding issues: it highlights that, while narrowing, the pension gap between men and women, mainly due to the gender pay and employment gaps, remains large and is likely to persist, and that people in non-standard or self-employment often face less favourable conditions for accessing and accruing pension rights. It also shows that inequalities among older people persist and the risk of poverty or social exclusion increases with age. The ongoing economic recovery leaves more fiscal space to address adequacy concerns. Further reform efforts, while taking into account the varying country specificities, should reflect both social and economic concerns, including by ensuring that older people have adequate pensions and access to public or subsidised services. Pension policy reforms and related employment, training, health and safety measures should aim to reconcile long-term sustainability and adequacy of pensions through supporting longer working lives.

14. Healthcare systems should seek to provide universal access to healthcare for all, including through increased coverage and greater provision of information on services available. Obstacles to access healthcare faced by the most vulnerable, including high out-of-pocket costs in some Member States, should be addressed. Health inequalities should be reduced. Shifting the focus towards primary care and prevention, as well as promoting healthier lifestyle habits are needed to ensure both the sustainability of the healthcare systems and positive health outcomes for all.
15. Population ageing increases the demand and need for long-term care. The shift to formal care is likely to accelerate due to changes in the family structure and changes in the world of work. Measures to address these challenges could include creating a shift from institutional to community care and home care and improved policies for prevention, rehabilitation and independent living. Special attention should be given to support for informal caregivers.
16. Improving the performance of social protection systems, as well as social investment, will be an important aspect in achieving upward convergence in the EU. Current and future reforms in social protection should seek continuous improvement of social outcomes. In doing so, there is a need to promote cross-sectoral cooperation and an integrated approach involving all relevant policy areas. Fit-for-purpose social protection systems also contribute to the smooth functioning of the labour market and to inclusive growth. The principles enshrined in the European Pillar of Social Rights provide a strong consensual basis for social protection systems and social inclusion measures which invest effectively and efficiently in people and support them in coping with challenges throughout the life course.